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## TARIFF REVISION—DISCUSSION.

C. W. MIXTER: In the limited time at my disposal I shall confine myself to the nine "statements", so-called, of Professor Emery's paper.

It appears to me that Professor Emery's first "statement" is somewhat confused. Indeed, it would seem that in his desire to be very practical and tolerant he has got himself into the position of facing two ways. Which is it? Is the tariff as a whole in its industrial aspects a minor prosperity promoter, or "a minor disease"? The main idea in this first statement is that the economic importance of the tariff at all events has been greatly exaggerated on both sides; and that its chief significance is moral. With this idea in its entirety I am in hearty agreement: I believe it cannot be overemphasized.

The main idea of the second "statement" is,—deal gently and reasonably with an established system of things; do not drive a reform rough shod through institutions; do not run amuck; in dealing with the tariff shun a doctrinaire spirit as you would the devil. This position also receives my hearty endorsement. By our doctrinaire tactics, our blundering attitude of aggression, our exaggerations of the gains to be derived from free trade, we have all along been playing into the hands of the opposition. Our mistaken policy has helped to get millions of producers throughout the country into a state of needless blue funk.

The introductory position of Professor Emery's third "statement" is, that the tariff question resolves itself into particulars, and that we are under the necessity of study-

ing the effects of protection in each individual case. In elaborating this idea, Professor Emery does not follow his own program strictly, but outlines a study by certain broad classes. Upon the basis of his brief survey of these classes his position in conclusion is, that we should repeal all duties not needed for protection and should retain all duties for the present that *are* needed for protection. As this last idea was expressed, in other words, at the end of his paper,—we should “suspend for the moment the propaganda in favor of tariff for revenue only, based on the general free trade philosophy.”

I give my endorsement unreservedly to this position in both its aspects. I believe it would be good policy for some years to come to attack no duty (except on raw materials) that really protects. Indeed, if it is really demonstrated that we have a greater cost of production in any industry than obtains abroad, I personally should counsel that we do not higggle very much as to the amount of the duty, but let the protectionists make it what they please. But we should insist on free raw materials and the enlargement of the free list generally by placing on it every article with respect to which our costs are less than abroad. Let us direct our efforts to repealing that great mass of nominally protective duties with which the politicians play politics and get votes. The tariff system as a whole, with all its huge moral evil, is kept alive paradoxically not by the live duties but by the dead ones. Repeal every duty which is not needed to protect; let the people see that in consequence the sky does not fall; let it be made plain that the tariff accomplishes no *general* economic result under present-day conditions, but only a set of *particular* results—the fostering of a few barnacle industries—and the victory for liberality in trade policy will be won.

In his fourth "statement" Professor Emery sets forth the important truth that the argument for a liberal trade policy based on the consumers' interests has been, and must continue to be, a failure. There are other reasons for this besides those he had time to mention. For one thing, we have blundered sadly in not taking sufficient account of the economic principles governing the use of articles of luxury. Again, we have overlooked that very frequently the consumption of wealth in general presents itself as anything but an edifying spectacle—as anything but a worthy goal of industrial effort. The industrial efforts themselves are the worthy, character-building side of economic life. For one reason and another, it is production, not consumption, that commands the interest, the respect, and the enthusiasm of mankind. This being so, one can imagine how it strikes some protected manufacturer when you propose to overthrow the results of the labor of years, in the interest of the consumer.

The chief feature of the fifth and sixth "statements" is that the vital, promising movement toward a more liberal trade policy everywhere comes from the side of the organized producers and is based upon the producers' interests. And accordingly it is maintained that we should work in hearty coöperation with producers of liberal tendencies, even though their economic theory may be only half right and they are actuated by motives of self-interest solely. I endorse this position as a general proposition fully. I believe Professor Emery has no occasion in this connection to defend himself from the charge of being "cynical".

I believe, however, that he has overrated the force of the natural, automatic drift toward a liberal trade policy proceeding from producers' interests—proceeding from the "change of heart" of producers—practical men for

the most part, who view these things as parts, not as wholes, and who will fall out with each other again and again. There is no time to go into this matter fully. For one thing, there is the politicians' interests to be reckoned with. All over this country thousands of political leaders great and small have a repertoire of high tariff speeches learned by heart; they know by experience that the tariff is an unsurpassed "vote-getter"; they fear that "Othello's occupation's gone" the day the country settles down to a liberal trade policy and the tariff drops out of politics. Even if by reason of ambition for increased exports, and the like, the protectionist producers should all swing into line for a liberal trade policy, the battle would have to be fought all over again with the politicians.

The leading idea of Professor Emery's last three "statements", seven, eight and nine, is that inasmuch as we ought to coöperate with the producers, instead of antagonizing them as heretofore, let us take hold with them and work for the chief thing they want—reciprocity.

Personally I take no stock in reciprocity. I have not time to say why. I merely state that in my opinion in *that* way disappointment lies for *all* concerned. The less economists have to do with reciprocity, the more their reputations will be enhanced ten or twenty years from now. "No people ever yet grew rich by policies"—especially by overrefined, subtly-balanced policies.

And now to conclude. I believe, as does Professor Emery, that we should establish more cordial relations with producers, through getting into a sympathetic understanding of their aims and objects and point of view. We should talk with them hereafter a congenial sort of economics—the economics of production. But this means, for their good and ours and for the public good, to have

done with talking the economics of prices and deals and dickers—the “eidolons of the market place” that blind men’s eyes. It means concerning ourselves hereafter with *realities*—the forces of production. It means standing up stoutly oftentimes against the producer and showing him how he is defeating himself *as a producer*. We are not to plunge with him into new and more impenetrable mental fogs. It is one thing to get into a sympathetic understanding of another man’s point of view: it is another thing to adopt his ideas outright. We should be careful not to overdo being practical. Said Matthew Arnold in his essay on “The Function of Criticism at the Present Day”: “It is only by remaining collected, and refusing to lend himself to the point of view of the practical man, that the critic (the man of science) can do the practical man any service.”

J. W. CROOK: I am in general sympathy with Mr. Emery’s practical attitude. We want economic results and not the triumph of some pet theory. As long as the producers of wealth as a body think they need a high tariff, an appeal to the consumers’ interest gets little attention. Now that the manufacturing interest wants a change, we should join hands with them. Nor should we hesitate because their reasons for reduction are not ours. It seems fairly plain that when the Manufacturers’ Association organizes to promote the cause of tariff reduction, its predominant motive is the desire to either preserve foreign markets or to enlarge them. In recent years some foreign nations have been raising their tariffs. That interferes with “dumping” and threatens to seriously curtail international trade. American manufactures have grown strong in recent years and a wide foreign market is desired more than ever before. Such markets can be

obtained only by making concessions. To perfect machinery by means of which the tariff may be lowered is the first step in a policy of "invading" the markets of the world. This is a reasonable and proper motive. However, if we may judge by some of the literature supposed to represent the views of the Manufacturers' Association, the consumers have become the object of solicitude by manufacturers. It would be hard to find stronger expressions of the burdensome nature of the high tariff upon the general public than is to be found in the recent writings of influential officers of the association. It is doubtful whether this line of argument, however sound, will have any more potency now than it did when Mr. Cleveland wrote his strong message on the subject. A straightforward argument to show the necessity of lowering our tariff in order to obtain a freer access to foreign markets for American products would probably be more effective. As Mr. Emery says, the appeal to the consumer is bad psychology.

Mr. Stone has made clear the advantages of the conventional tariff as a means of arranging reciprocal tariffs. But he is equally clear that under our form of government and administration it is not a possible plan for us. Our list of unratified treaties is a disheartening one. It has meant more than treaties not made. It has been a source of international friction. A departure from a general policy of one tariff for all would seem to resolve itself into a maximum and a minimum tariff, with agreements by the executive made possible. This is reciprocity. The problem of reciprocity is not a simple one. While I do not wish to discuss it from a too theoretical standpoint, I am interested to inquire for a moment into the effect of such a policy upon both consumer and producer.

Taking the consumer first: in case an agreement is

made to admit at a lower rate only a part of finished goods imported, it is difficult to see how the consumer will benefit, at least to the full extent of the reduction. That part of the import which pays the higher rate will perform a function as to price analogous to that part of a product which is brought to market at greatest cost. Whether consumers will benefit, in case raw products should be admitted at a lower rate, will depend upon whether the further working up of the raw product is done under competition or under monopoly. If under competition, a lower cost of raw material is equivalent to a lower cost of production, which under normal circumstances would mean lower prices to the consumer of the finished product. If under monopoly, it would mean only such readjustment of selling prices as the change in the cost of raw material would lead the monopoly to adopt from self-interest. It appears then that the consumer would get the full benefit of lower rates only in case all or nearly all the imported product came in under the lower rate and if the further working up of the goods imported were done under competition. If we inquire into the effect of reciprocity rates upon producers, we shall find that under the European interpretation of the most favored nation clause brought out by Mr. Stone, America can receive no differential advantage since all other nations will be accorded as low rates as we are.

The advantage to the producer, then, is expected to flow from the building up of wider markets for American products. The whole question, however, should be carefully worked over by experts who have no interests at stake except to know the facts. Mr. Litman showed the complications of the schedules which can be scientifically framed only by men who are trained and who take time to know the technicalities of the industries affected. One of



the most difficult problems is that of the costs of production here and in countries with which we seek trade relations. But it is a problem of vital importance; one, however, that should take into account not only actual present costs but should note the differences of labor conditions. If we seek by tariff rates to equalize these differences we might properly discount an improvement in labor conditions. If costs of production here are less than in Europe on account of the fact that hours of labor here are longer, the tariff may not be employed to perpetuate such differences. These are questions that need expert investigation, such as congressional committees usually cannot perform even if they wanted to. When Germany undertakes to modify her tariff she makes up a board of experts. They give years to the study of home and foreign conditions, submit the schedules to the interests affected, and finally reach a scientifically made schedule which the business world is given time to adjust itself to. Our method so far shows a great contrast. We employ experts only to a limited extent. Our politicians have too much of a hand in it. Little time is taken. A few men are worked to death for a few weeks under the strain of trying to reconcile the claims of conflicting interests. Concessions are forced that should never be made. The question of the tariff is too important to be handled in this way. A method which should take the tariff entirely out of the hands of politicians, have its making based on a scientific knowledge of trade conditions, and be made for the general interest and not for special interests, must be found if some of the worst features of our tariff legislation are to be eliminated. The first step, in my opinion, should be a tariff commission.

U. G. WEATHERLY: With Professor Emery's idea that tariff policies are not necessarily the fundamental factors

in shaping economic development, I am in hearty agreement. It is rather as a steering oar and not as a driving oar that the tariff must be considered. A policy of readjustment which shall keep in view the larger trends of our national life is certainly in harmony with the sentiment of the whole country. Mr. D. M. Parry is no doubt correct in his recent statement that even in the middle West, where not over five per cent of the population are engaged in tariff industries, there is a general willingness to continue protection for such industries as need it. But along with this complacent assent to the protective policy there is an undercurrent of conviction that the nation should now definitely consider the question of the ends which it desires to reach, and that it should begin to use the tariff as an instrument to help establish proper social and economic standards rather than to foster special industries. In the last analysis commercial policies affect men as much as goods. The abiding justification of protection lies in whatever power it has to safeguard the standard of living which a state may fix upon as desirable. To limit or shut out foreign goods is not necessarily to accomplish this. Immigration may bring within the tariff wall in large numbers alien laborers who carry with them the status of the more backward communities from which they come and who do not become a stable part of the society which they enter. It is undeniable that at this time in America, despite high nominal wage scales, European rather than American standards persist among considerable portions of our labor force.

In so far as the tariff policy affects the trend of industrial development it may now become an important agent in helping to determine whether the United States shall become a distinctly industrial state, after the pattern of the older industrial nations, or whether it shall retain

something of its hereditary character of well-rounded economic life. Much the same alternative has confronted Germany, to the perplexity of her economists and statesmen. Professor Wagner, alarmed at the excessive industrialization of Germany, a few years ago sounded a note of alarm for her agricultural interests. "An adequate protection for agriculture", he declared, "higher than at present, would be in the general interest of the whole country, even if by this means the industrial development of the state and possibly also the growth of population should be, not entirely stopped, but certainly slackened, in the all-around interests of the workers and of the economic development of Germany. The maintenance of a capable agriculture means the maintenance of the German people now and for the future." Overindustrialization, carried to the extreme of exporting manufactures and importing food supplies, may as a policy be temporarily brilliant. In the long run, however, it must prove dangerous because both the markets for exports and the domestic food supply are restricted with every advance of industrialism. Agriculture of itself is less efficient in protecting its interests than is industry, by reason of its being less thoroughly integrated. It is therefore always in danger of being neglected until its decline shall have gone so far as to render the task of restoring it to vigor a doubly difficult one. The question of population also is involved in the problem of the equalization of industry and agriculture. Industrial growth purchased at the expense of the stability and proper distribution of population is uneconomic. Now American industrialization has proceeded too rapidly, and the sudden massing of unadjusted working groups in urban centers has brought about more than the usual confusion which appears when the workers are drawn together from within the same coun-

try, as in modern Germany. The fact that more than 700,000 recent immigrants have returned to Europe since the beginning of the depression of 1907 is not a wholesome symptom, but it serves to point out the need of an industrial policy that will conduce to greater social stability.

Another aspect of our economic life which demands at this time the formulation of a definite program is our commerce with tropical lands, and particularly with the Latin American countries. Whether a system of reciprocity treaties especially devised to meet the needs of our peculiar relations with those countries be feasible, or whether, as Mr. Stone concludes, the general and minimum principle should be adopted, the situation is one that requires a treatment somewhat different from that which our commercial relations with Europe call for. It is not merely that the balance of trade is against the United States in the exchange with several of the Latin American states. Both geographical proximity and complementary productive capacities render commerce with them the most natural and economic one. When Mr. Blaine's far-sighted plans were propounded twenty years ago it became evident that no such radical step as a Pan-American customs union was practicable, but it does not follow that some tariff arrangement is impossible which shall in commerce supplement the Monroe Doctrine in politics. Whatever scheme of revision is adopted must ultimately take account of these interests. The formulation of a policy correlating our commercial and political interests calls for the coöperation of trade experts and statesmen. If protection is, as Professor Patten has called it, "a consistent endeavor to keep society dynamic and progressive", the effective direction of commercial policy means the employment not only of skill in manipulating tariff schedules

but of large-minded foresight in grasping the commercial situation. This is but another way of saying that the tariff question should be taken out of politics and entrusted to a commission of experts.